GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:279
ANSWERED ON:11.08.2006
INVESTMENT BY FINANCIAL INSTITUTIONS
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Will the Minister of FINANCE be pleased to state:

(a) whether crores of rupees have been invested in various companies owned by major industrial houses of the country by the financial institutions, particularly Industrial Development Bank of India (IDBI) and the same has been shown as non-performing assets;

(b) if so, the details thereof and the reasons therefor: and

(c) the corrective measures taken/being taken by the Government in this regard?

Answer

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) :

(a) and (b) The gross Non-Performing Assets (NPAs) of all Scheduled Commercial Banks as on March 31, 2005 stood at Rs. 58,901 crore of which the top ten defaulter companies owed Rs. 3.908 crore to Banks/FIs. As on March 31, 2006 in case of IDBI Ltd., the four major industrial houses accounted for Rs. 405 crore of NPAs out of total NPAs of Rs. 1,116 crore. In the banks as a whole, however, NPAs as ratio of total advances has declined consistently as shown in the Table below :-

Year	Gross NPA/Advances	Net NPA/Advances
2001-02	10.4	5.5
2002-03	8.8	4.4
2003-04	7.2	2.9
2004-05	5.2	2

In 2005-06 the provisional figures of Gross NPAs to Gross Advances in the Public Sector Banks is 3.85% and net NPAs to net Advances is 1.44%.

(c) Corrective measures taken in this regard, inter-alia, include :-

1. Banks have strengthened risk management systems by putting in place institutional frame work for identifying, monitoring and manage- ment of credit risk.

2. The Management Committee and the Board of Directors of banks are periodically reviewing the top 300 NPA accounts and NPA accounts of Rs. 1 crore and above respectively.

3. A scheme of Corporate Debt Restructuring(CDR) for restructuring of corporate debts has been put in place.

4. Pubiic Sector Banks are expected to have a plan of action for expeditious recovery of NPAs.

5. Banks are effecting larger number of compro mise settlements through the forum of Lok Adalats.

6. The Securitisation and Reconstruction of Finan cial Assests and Enforcement of security Interest (SARFAESI) Act,2002 has been enacted empowering Banks for speedy recovery of overdue loans.

7. Public Sector Banks have been advised to give due attention to write off smaller NPA accounts, and indicated a time bound plan of action to clean up at least those NPA accounts where the borrowing is less than Rs. 50,000/-